



Department of  
**Revenue**  
*Washington State*



*Working together to  
fund Washington's future*

## 2007 Washington State Quality Award Highlights

## I Leadership

### I.1 Senior Leadership

The Department of Revenue's (DOR) vision, mission, goals, and values are revisited on a biennial cycle in concert with the Strategic Business Plan development cycle. The Executive Team and the Strategy Team utilize various communications methods to reinforce and cascade the vision, mission, goals, and values down in the organization. Methods include Intranet articles, field office visits by agency leadership, and attendance at every New Employee Orientation by the Executive Team.

Legal and ethical behavior is prioritized and reinforced through channels such as New Employee Orientation and policies and procedures available online. The Agency has a designated agency ethics advisor that liaisons with the Washington state Executive Ethics Board and a Taxpayer Advocate to help resolve issues and complaints from taxpayers.

DOR places a high value on open communication, staff empowerment, and recognition. The Director and agency leadership regularly visit field offices and division retreats where face to face communication occurs. The Intranet site, InsideRevenue, is a key communication tool. It has an employee center with helpful information on quality efforts, policies and procedures, job openings, forms, and much more. The Agency regularly recognizes employees for their contributions through both formal and informal programs, including an annual recognition program to formally recognize staff on a statewide level.

The internal Government Management Accountability and Performance (GMAP) program began in July 2005, maintains focus on goals and objectives, and regularly monitors key performance and project measures. Assistant Directors present information on their division's progress and contribution towards agency goals, measures, and initiatives using an at-a-glance tool called the "dashboard" to indicate areas of success, caution, or concern.

### I.2 Governance and Social Responsibilities

The Agency operates in a statewide framework of governance and its stakeholders include taxpayers, particularly businesses in Washington State, as well as other state, local, and federal organizations such as the Internal Revenue Service. Extensive outreach efforts occur through business forums, association involvement, surveys, and tribal relations to constantly assess the impact and effectiveness of a complex and often controversial tax system.

DOR is audited annually by the State Auditor's Office and has a strong Internal Audit function, which are key components for ensuring accountability.

Senior leaders are evaluated on agency measures and outcomes. Executive Team and Strategy Team members have performance contracts that cover leadership competencies, expectations, performance measures, and specific initiatives and they are reviewed annually.

DOR supports the community in a variety of ways including providing information and data to citizens for social policy making, an active sustainability program, and support of charitable activities such as the Combined Fund Drive.

## 2 Strategic Planning

### 2.1 Strategy Development

For almost twenty years the Agency has had a strategic business planning process in place. The planning process is conducted every two years and a formal plan is created. The process sets the direction, establishes the priorities, prompts innovation and provides accountability. We allocate resources based upon key strategies to meet goals and achieve customer needs.

The ideas and initiatives included in the plan are the result of input and feedback from employees, stakeholders and customers. They reflect an analysis of performance, current and ongoing activities, and environmental conditions and trends.

### 2.2 Strategy Deployment

Action plans for all initiatives are developed in a collaborative way. Each initiative designates a lead division, cross divisional impacts and expertise are identified, and milestones, deadlines and progress reports are built in for accountability purposes. DOR reviews all initiatives to ensure the plan is being executed successfully. As such the plan reflects what is actually happening in the Agency and is a good vehicle to use for communication to employees, stakeholders, and others.

The initiatives in the plan are designated short and long term and they support key strategies and overall agency goals. For those initiatives requiring technological support, frequent communication is conducted with the Information Services division to set requirements up front and monitor progress. Occasional modifications of the projects occur primarily through new legislation but also because of changing business priorities. In these cases the lead division works with the Information Services division to ensure the modifications can be accomplished and work returned to the original projects within a reasonable period of time.

The planning process also encompasses and directly addresses DOR's human resources management systems, processes and programs and also focuses efforts in short and long term initiatives.

## 3 Customer and Market Focus

### 3.1 Customer and Market Knowledge

The Agency regularly hosts stakeholder events and roundtable discussions to obtain meaningful dialogue and customer feedback. In 2005, DOR hosted four roundtable events around the state, and in 2007 DOR teamed up with the Employment Security Department, Department of Labor and Industries, and the Governor's Office to host small business roundtable events in Bellevue, Vancouver, Kennewick, and Spokane.

To keep current with the latest developments and best practices, DOR participates in national organizations such as the Federation of Tax Administrators, Multi-State Tax Commission, and Western States Association of Tax Administrators. DOR works with these organizations to advocate sound tax policy by keeping current on and influencing national issues that impact the state.

### 3.2 Customer Relationships and Satisfaction

DOR is committed to providing an Internet experience that makes it easy to find basic reporting instructions as well as thorough background information for sophisticated analysis of a complex tax issues. The Agency's website, which was nationally recognized in 2003 and 2006, recently underwent a user-centered redesign and was introduced to the public in April 2007.

Every three years DOR contracts with the Washington State University's Social and Economic Sciences Research Center to conduct the Taxpayer Satisfaction Survey. This survey determines the effectiveness of services and operations while assessing customer needs and expectations. It also serves as a baseline for the Agency to judge progress in improving the quality of its programs and is useful in analyzing trends.

## 4 Measurement, Analysis, and Knowledge Management

### 4.1 Measurement, Analysis, and Review of Organizational Performance

The Agency measures, analyzes, and reviews organizational performance and plans future activities under the structure of the biennial budget process. Divisions negotiate measures to track their performance with their Senior Assistant Director. A select few are regularly reviewed by the Executive Team, and reported in statewide GMAP forums. DOR submits performance measures and expected results to the Office of Financial Management (OFM) each biennium. This determines whether the Agency is achieving or making progress toward the statewide Priorities of Government.

DOR employs innovative methods to gather, integrate, and use data to measure its performance and "work smarter." The data warehouse, compliance studies to measure the tax gap, simulation models of Washington's tax sources, taxpayer reporting history, and satisfaction surveys allow the Agency to efficiently deploy resources. In-person feedback from stakeholders, such as the local government advisory group, helps keep us current and aware of changing trends.

The close network with other state revenue agencies enables DOR to compare performance results and share best practices. Results of benchmarking have led to improvements with audits, appeals, collections, e-file, call centers, and rulemaking.

### 4.2 Information and Knowledge Management

Data and information are readily available to staff and external customers via the Internet and other forms of communication. Taxpayers can view their accounts online and understand their reporting obligations through searchable tax laws, rules, tax guides and forms, online tutorials, and a Geographic Information System locator. Employees in headquarters, in the field, and out-of-state can access extensive online account management systems, and employee applications, such as the automated leave system, email, and Intranet site.

DOR has a centralized information technology organization structure that provides reliability, security and user friendliness and keeps hardware and software current through the IT Portfolio. The Portfolio outlines budget information for the purchase and/or lease of hardware and software, costs for telecommunications, and end user training.

DOR is continually making progress to ensure accuracy, integrity, reliability, and timeliness of data and information. Efforts include Internal Audit's independent and objective assurance audits, including reviews of general systems controls; single-site log on technology to ensure secure communications; secrecy clause affidavits and data sharing agreements for all who have access to confidential taxpayer information; and compliance with the State of Washington's Information Services Board security policies and standards.

## **5 Human Resource Focus**

### **5.1 Work Systems**

DOR developed and manages a comprehensive position management system consisting of a complete inventory of job descriptions and core competencies for each position and classification in the Agency. The system links key business processes, services and goals with an essential career development and succession planning tool.

DOR has an effective, integrated performance management system that connects the objectives of each position to the Agency's vision, mission, values, and goals. Feedback for performance improvement, innovation, and achievement is fostered and documented, and employees are rewarded through division recognition ceremonies, retreats, and the annual agency-wide recognition program.

DOR has a comprehensive recruitment strategy to build a skilled diverse workforce, automate and streamline recruitment systems, enhance hiring decisions, motivate staff to participate in employee retention, and expand DOR's presence in professional, academic and diversity environments. DOR continually develops and nurtures its internal talent while seeking highly qualified candidates from a broad cross-section of external sources.

### **5.2 Employee Learning and Motivation**

The formal agency-wide training plan identifies the current required and recommended training for all levels of staff. In addition to formal training opportunities, DOR provides "in-training" opportunities for employees to advance via on-the-job training, classroom, and online training for higher levels within job classification series.

DOR employs a wide range of motivational methods, including compensation, benefits, mentoring, training, developmental job rotations, and recognition. Employee career development needs are documented and addressed through performance reviews. The combination of annual performance evaluations and the on-going daily dialogue emphasizing employee attainment of individual work goals builds continuous improvement into this process.

### **5.3 Staff Well-Being and Satisfaction**

DOR designed and implemented an Employee Health, Safety and Wellness Program to provide employees, supervisors and managers with the policies, procedures, information, training, and tools necessary to support health, safety, and security in the workplace.

The DOR Emergency Operations Plan follows the National Incident Management System (NIMS) process created by Homeland Security and provides emergency response organizational roles, guidelines and a checklist of instructions to be followed in an emergency. Annual emergency drills are conducted and all key management personnel have been certified in the appropriate NIMS training.

DOR has used the biennial Employee Satisfaction Survey as a systematic approach to determine employee satisfaction and expectations. The survey is independently administered, anonymous, and has a high response rate (86.1% in 2005). Survey results are reviewed by each division at numerous Employee Feedback Sessions where priorities and action plans are identified.

## 6 Process Management

### 6.1 Value Creation Processes

DOR has seven key activities that focus on the statewide Priorities of Government result “to strengthen government’s ability to achieve results efficiently and effectively.” Related performance measures for the business processes are tracked on a monthly basis.

#### 1. Administrative Services

- Percentage of taxpayers with favorable opinion of DOR employees
- Employee Satisfaction Survey

#### 2. Property Tax Administration

- Number of real property appraisals and personal property tax audits completed
- Increase the number of Advisory Appraisals

#### 3. State and Local Revenue Collection and Distribution

- Maintain/Improve the voluntary compliance rate for tax reporting
- Answer 80% of incoming call in 1 minutes or less
- Process and post tax returns within 48 hours of receipt
- Correct tax return errors within 10 days
- 24/7 access to Department systems

#### 4. Tax Auditing

- Issue 80% of audits within 50 calendar days of the exit conference
- Percentage of active reporting taxpayer accounts contacted by the Audit division

#### 5. Tax Policy Research, Analysis, and Interpretation

- Review all agency rules or interpretive statements for adoption, revision, or repeal to reflect legislative changes, court decisions, and current business practices

#### 6. Taxpayer Appeals

- Mainstream tax appeals cleared within one year of receipt

#### 7. Unclaimed Property Management

- Percentage of monetary unclaimed property claims processed within 30 days of receipt

### 6.2 Support Processes and Operational Planning

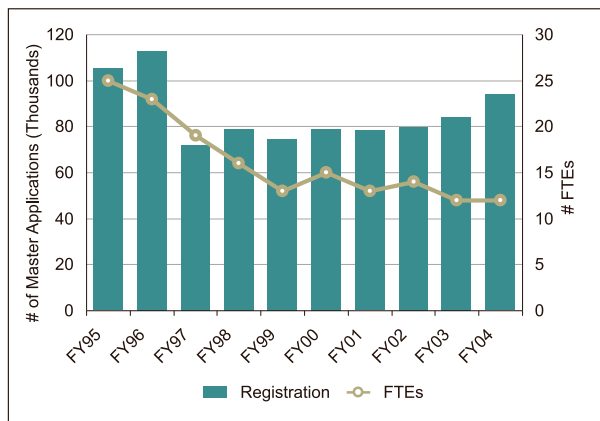
Support processes include the overall management of the Agency through executive oversight, information systems, internal auditing, accounting and budgeting, payroll administration, facilities management, purchasing, human resources, organizational development, and legal services provided by the Attorney General’s Office.

## 7 Results

### 7.1 Product and Services Outcomes

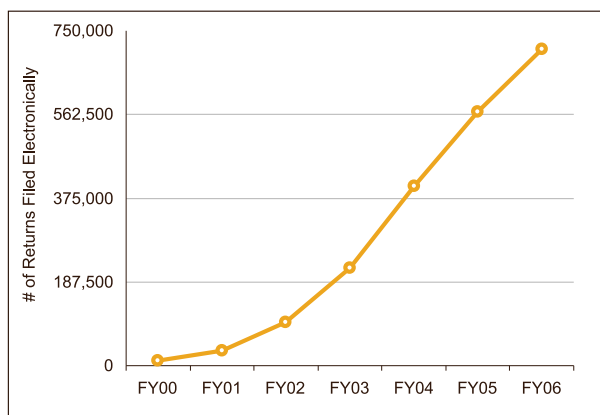
#### 7.1a Product and Service Results

Figure 7.1-10 Efficiencies Enable DOR to Register More Businesses with Reduction in Staff



During a ten-year span, DOR has been able to register more businesses despite a 47% decrease in full time employees in the Taxpayer Account Administration division. The state's online Master License Program has played a key role in helping to eliminate the need for DOR staff to handle and process paper registrations. Other efficiencies were gained by making internal changes, training staff across functions, and implementing team and individual performance measures.

Figure 7.1-12 Electronic Filing Use Continues to Grow



E-file provides benefits to both the taxpayer and the Agency. Taxpayers have convenient access to their account information and can customize the tax return to fit their business. The program catches errors upfront, saving taxpayers needless penalties and interest. The growth in number of filers can be attributed to DOR's aggressive marketing campaign. DOR saves postage and printing costs and FTEs. E-filers make fewer errors, which saves staff time in having to review exception returns. The estimated cost savings for these activities is \$400,000 annually.

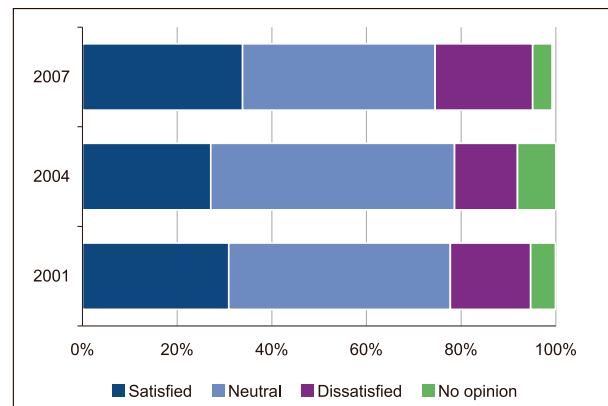
### 7.2 Customer-Focused Outcomes

#### 7.2a Customer-Focused Results

##### 7.2a(1) Customer Satisfaction Levels Trends:

##### 7.2a(2) Indicators of Customer-Perceived Value:

Figure 7.2-I Customers Rate Their General Satisfaction with DOR



General taxpayer satisfaction has been an Agency performance measure since 2001 and is reported to OFM. To gain richer feedback about satisfaction, DOR utilizes focus groups and roundtable discussions to dialogue with customers about specific issues and improvement strategies. The evolution to two-way communication provides more useful and meaningful information for customers, stakeholders, and DOR.

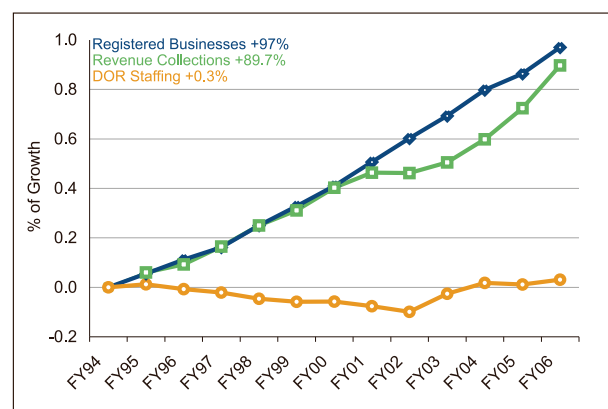
### 7.3 Financial and Market Outcomes

#### 7.3a Financial and Market Results

##### 7.3a(1) Financial Performance:

##### 7.3a(2) Marketplace Performance:

Figure 7.3-4 Work Volumes Steadily Increase While Staffing Levels Remain Flat



As the state's population continues to grow, so does the number of registered business, creating an even greater demand for services. DOR has only had a 0.3% increase in FTE's since FY94, while registered businesses increased 97% and revenues collected rose nearly 90%.



To operate within budget constraints, the Agency is continually looking for new ways to provide effective and efficient services, and be responsive to taxpayer needs and be accountable to the public. DOR uses the SBP process to prioritize ongoing and new initiatives.

DOR collected \$16.5 billion in taxes during FY06, a 29.4% increase over \$12.7 billion collected in FY01. During that period, FTEs increased 11.6% and current staffing levels are only slightly 0.3% higher than they were in FY94, when tax collections totaled \$8.5 billion.

## 7.4 Human Resource Outcomes

### 7.4a Human Resource Results

The Human Resource Management Report measures interlocking components of a healthy performance management system. All Washington State agencies submit this standard performance measure data twice a year for a statewide picture and interagency comparison.

Figure 7.4-I Human Resources Management Report (FY07 QTR 2)

Performance Measure Description	Statewide	DOR	Status
<b>Plan and Align Work Force</b>			
% supervisors with current performance expectations for work force management	97.4%	98.7%	▲
% of employees with current position/competencies descriptions	87.3%	100%	▲
<b>Hire Work Force</b>			
Time-to-fill funded vacancies	67.1	80 days	▲
Separation during review period	14%	11%	▲
<b>Deploy Work Force</b>			
% employees with current performance expectations	83.4%	86.6%	▲
Overtime usage (average hours per capita)	3.7	0.3	▲
Sick leave usage (average hours per capita)	6.2	6.28	▲
Non disciplinary grievances/appeals filed and disposition (outcomes)	249	3	▲
<b>Develop Work Force</b>			
% employees with current individual development plans	75.2%	82.2%	▲
<b>Reinforce Performance</b>			
% employees with current performance evaluations	77%	96.3%	▲
Number of formal disciplinary actions taken	109	0	▲
Number of disciplinary grievances and appeals filed	173	2	▲
<b>Ultimate Outcomes</b>			
Turnover rates and types	4.4%	7.7%	▲
▲ On target    ▲ Area of concern    ▲ Not on target			

## 7.5 Organizational Effectiveness Outcomes

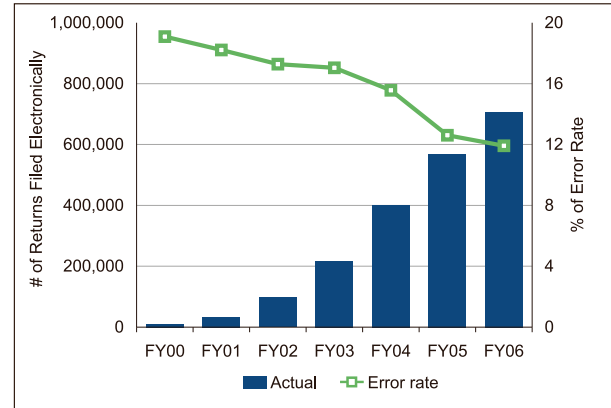
### 7.5a Organizational Effectiveness Results

#### 7.5a(1) Performance of Key Value Creation Processes:

#### 7.5a(2) Performance of Other Key Processes:

Key value creation processes identified in 6.1 are the underlying activities essential to the vision and mission of the Agency.

Figure 7.5-I Taxpayer Errors Decline as E-File Use Increases



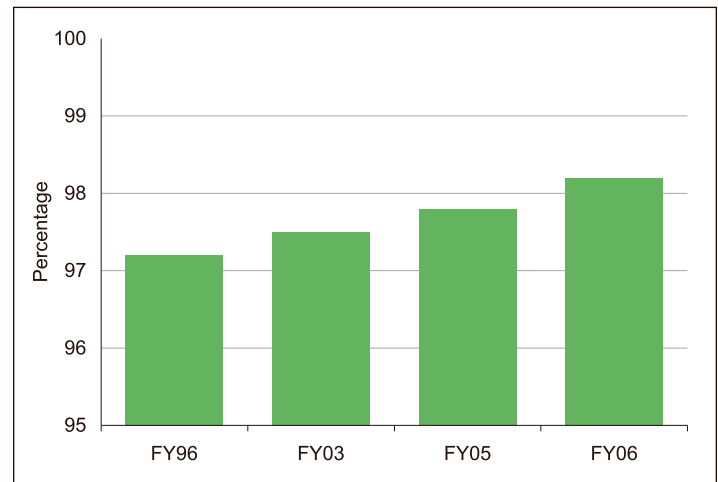
The number of returns filed electronically has increased due to DOR's marketing campaign. Error rates continue to decline as more taxpayers file electronically. Decreasing error rates on tax returns reduces the need for time-consuming reworking of returns, decreasing processing time and taxpayer frustration.

## 7.6 Leadership and Social Responsibility Outcomes

### 7.6a Leadership and Social Responsibility Results

#### 7.6a(1) Organizational Strategy Accomplishments:

Figure 7.6-2 Voluntary Compliance Rates Continue to Increase



DOR's strategy is aligned with its overall vision of maximizing service delivery and achieving the highest levels of voluntary compliance. This demonstrates the results of DOR efforts to carry out its mission in an open and collaborative environment to fairly collect revenues.